

Nevada Social Studies Standards Economics Glossary

Bank: A for-profit financial institution that accepts checking and **savings** deposits, and grants loans.

Barter: Direct trading of **goods** and **services** between people without using **money**.

Benefit: A satisfaction obtained.

Borrowing: Contracting to receive **money** that must be paid back with **interest**.

Choice: A selection from a set of alternatives.

Circular flow of economic activity: A descriptive model that shows that households pay businesses for **goods** and **services**; businesses pay households for productive **resources** (natural, human, capital); both households and businesses pay taxes to the government so government can provide public **services**.

Commodity: An object that can be used as **money** but also can have value of its own.

Competition: The rivalry among sellers and rivalry among buyers in a **market**.

Consumer price index (CPI): An index that measures the average level of **prices** of **goods** and **services** typically consumed by an urban American family.

Consumer: A person who buys and uses **goods** and **services**.

Corporation: A business with multiple owners, whose director and officers are individually liable, but all owners (shareholders and stockholders) are not.

Cost: Anything given up when a **choice** is made.

Credit: The act of **borrowing money** or purchasing **goods** over time.

Deflation: A decrease in the general level of **prices**.

Demand: (n.) The quantity of a **good** or **service** that buyers are willing to buy. (v.) To offer to buy **goods** and **services**.

Discount rate: The **interest rate** that **banks** must pay when they borrow from the Federal Reserve.

Employment: The condition of working for pay.

Entrepreneur: An individual who creatively combines **resources** to produce a **good** or **service**.

Exchange rate: The **price** of one country's currency in terms of another country's currency.

Export: **Good** or **service** produced domestically and sold abroad.

Externality: A positive effect (**benefit**) or a negative effect (**cost**) generated by an activity that affects people who do not participate in the activity. For example, benefits from immunization programs, accruing to those not immunized or health care costs from industrial pollution, borne by the general public who did not pollute.

Fiscal policy: Federal government actions related to government spending and/or taxation.

Good: An object that can satisfy **wants** (such as a car).

Gross domestic product (GDP): A monetary measure of the production of **goods** and **services** within a country.

Human capital: The existing stock (amount) of education and training of a society's people.

Import: **Good** or **service** produced abroad and sold domestically.

Incentive: A reward that encourages or a penalty that discourages.

Inflation: An increase in the general level of **prices**.

Interdependence: The need for individuals and firms to rely on each other as a result of **specialization**.

Interest: A **cost** of **borrowing money** or a **benefit** of **saving money**.

Interest rate: The **price** (stated as a percentage) paid when **money** is borrowed, or the **price** (stated as a percentage) received when **money** is saved.

Invention: A new process, technique, or product.

Investment: In the social science of economics, an expenditure or activity that is intended to increase the productive capacity of the economy. (The word *investment* also is commonly used to describe an act of **saving** that leads to an increase in value, an act that is referred to in this document as *saving*.)

Labor force: The number of people who are either working, or not working but actively seeking work.

Labor union: A group of workers who join together to affect wage rates and working conditions.

Leisure activity: An action performed by an individual that can satisfy the individual's own **wants** (such as skiing).

M1: Coins, currency, and checking account deposits.

M2: **M1** plus short-term savings accounts deposits and other various short-term deposits.

Mandate: Government requirement.

Marginal benefit: The additional **benefit** obtained from choosing a little more or a little less.

Marginal cost: The additional **cost** incurred by choosing a little more or a little less.

Market: A collection of buyers and sellers of a particular **good** or **service**.

Medium of exchange: Something used to facilitate exchange.

Monetary trade: A **trade** in which **money** is used to pay for a **good** or **service**.

Money: Anything widely accepted as a final payment for **goods** and **services**, including currency, coins, or checks. Credit cards, while accepted for payment, are not a final form of payment. Credit card purchases are short-term loans, not **money**.

Money supply: Currency, coins, and checking account deposits.

Multiplier: The total spending generated from an initial one dollar spent.

Nominal GDP: **GDP** not adjusted for the impact that **inflation** has on the buying power of **money**.

Open market operations: Purchases and sales of financial assets, such as government bonds, by the Federal Reserve.

Opportunity cost: The value of the best alternative given up when a **choice** is made.

Partnership: A business with multiple owners, who share liability.

Per capita: Per person.

Physical capital: The existing stock (amount) of tools and machinery in an economy.

Price: Amount that must be paid for one unit of a **good** or **service**.

Price control: A governmental action that sets **price** or limits changes in the **price**. A **price** ceiling is a limit above which no **price** can go. A **price** floor is a limit below which no **price** can go.

Price elasticity: A measure of responsiveness in quantities bought or sold to a change in **price**. More precisely, the percentage change in quantity bought or sold that results from a 1 percent change in **price**.

Price index: A series of numbers that characterize how a set of **prices** has changed over time, where the percentage change in the **price index** provides a measure of the percentage change in the **price** level.

Producer: A person who combines natural, human, and/or capital **resources** to make **goods** or to provide **services**.

Property rights: The right to exclude others from using a **good** or **service** and the right to transfer ownership of a **resource**.

Public good: A **good** or **service** whose consumption by one individual does not prevent its consumption by other individuals.

Quota: A limit on the quantity of a **good** that may be imported in a given time period.

Real GDP: Nominal GDP adjusted for negative impact that **inflation** has on buying power.

Real interest rate: An **interest rate** that has been adjusted for the negative effect **inflation** has on buying power.

Recession: A period of time during which the **real GDP** of the economy is decreasing. An extreme **recession** is a depression.

Reserve requirements: The percentage of deposits that commercial **banks** must hold to meet withdrawal **demands**.

Resource: In the social science of economics, a natural, human, and capital factor utilized in the production of **goods** and **services**.

Saving: Not spending income on consumption.

Scarcity: A condition where human **wants** exceed available **resources**.

Service: An action performed by another that can satisfy **wants** (such as medical care).

Shareholder/Stockholder: Terms used interchangeably to denote individuals who have invested funds in a corporation and who thus own shares of stock (owners).

Sole proprietorship: A business that has a single owner who is individually liable.

Specialization: The concentration of effort on only one task or a few tasks.

Store of Value: Something used to transfer buying power into the future.

Supply: (n.) The quantity of a **good** or **service** that sellers are willing to sell. (v.) To offer to sell **goods** and **services**.

Tariff: A tax or duty imposed on imported **goods**.

Technology: In the social science of economics, the pool of existing knowledge.

Trade: To voluntarily exchange **goods, services, or money** for other **goods, services, or money**.

Unemployment: The condition of being without a job, but actively pursuing one.

Unemployment rate: The percentage of people in the **labor force** who are not working, but are seeking work.

Unit of account: Something used to measure value.

Wants: Desires that can be satisfied by **goods, services, or leisure activities**. A *need* is a high priority **want**.